

Automated Commercial Environment—Requirements Recommendation

Date:	July 26, 2001
Number:	REV-001 (Revised September 27, 2001)
Requestor:	TSN Revenue Committee
Customs Co-Chair:	Robert B. Hamilton
Trade Co-Chair:	James Phillips

Requirement

Provide a financial component to ACE for the management of Customs Trade Accounts that supports account based, periodic payment for accounts on Tracks 2, 3 and 4 who elect to use this payment vehicle. Statements on accounts should reflect all Importer Activity Summary Statements (IASSs) as well as any other entries flagged for periodic payment for the month. Statement adjustments should be allowed prior to final statement without sanction by Customs if error is clerical and manifest from the paperwork. Additionally, the statement should reflect any adjustments by Customs. Refer to proposal specifications for additional details.

Business Need

Provide a more effective and efficient import payment process to reduce associated costs to Trade and U.S. Customs in accordance with the Customs Modernization Act, the related laws and regulations and within the framework of ERP III.

Technical Need

The periodic payment statement must reconcile to and is dependent on the respective IASS and other entry summary collection classification codes and any subsequent adjustment to those codes made by authorized parties to the transaction.

A method is required to link the data on the periodic payment statement back to the IASSs and other entry summaries (e.g., a relational database?). As part of this, Customs must be able to clearly identify the appropriate bond that may be encumbered for problems related to any part of the import transaction. Further, Customs requires the ability to use ACE data to review bond sufficiency.

The account based periodic settlement vehicle must allow the flexibility for refinement of account definition by filer, EIN (suffix), product, surety, and port based on changing client specifications. The system should allow for Customs Brokers to make periodic payments for more than one importer on a given statement consistent with today's ACH daily statement functionality. Additionally, the periodic payment statement design should accommodate the option of netting post entry activity (Payments/Adjustments/Refunds) on a statement even if this feature is not implemented in Increment 1 (refer to REV-001.1 following the proposal specifications in this document).

Benefits

The benefits should include:

- ☐ simplification of payment processing,

- ☐ protection of revenue neutrality as a result of estimated payments and interest,
- ☐ reduction of the burden on Trade and Government computing resources,
- ☐ provide improved accounting and better management of entry data,
- ☐ allowance of adequate time for the Trade account to complete payment.

Risks

From a systems perspective there is a risk that lack of a coordinated approach during design and implementation will create disconnects between the entry and revenue processes. There is a need to ensure strong relations between TSN groups working on ACE. From a business standpoint, the increased payment times related to periodic payments increase the exposure of receipts owed to the government. It should be expected that this increased risk may result in higher bond amounts and higher premiums for importers who elect to use periodic payment.

Related Subcommittees

Entry, Accounts

Priority: **Critical** ☒ **High** ☐ **Medium** ☐ **Low** ☐

Customs Use Only

Approved ☐

Not Approved ☐

Further Evaluation Required ☐

Periodic Payment Proposal Specifications

Definitions:

Periodic Payment Statement: Statement balance summarizing monies owed to Customs for IASSs and other entry summaries during the activity month after estimated payments and any other adjustments.

Importer Activity Summary Statement (IASS): One type of entry summary. Multiple IASSs and other entry summaries may be paid on a Periodic Payment Statement.

Activity Month: The calendar month of release from Customs custody.

Trade Account: The definition of the Trade Account must be coordinated with the Entry and Account Management Subcommittees. Initial proposals require flexibility for refinement by filer, EIN (suffix), product, surety, and port based on changing client specifications.

Estimated Deposit Record: Deposit record generated by the importer and sent to Customs with an estimated payment that identifies the activity month for which payment is being made and the deposit amount.

Assumptions:

1. IASS and all entry summaries to be paid on Periodic Statement to be submitted to US Customs by Day 10 following the activity month.
2. IASS and other entry summaries to include existing CF7501 data elements.
3. For Track 4, we assume that the IASS will be paid on the periodic payment statement.
4. If Track 4 accounts choose to release under track 2 or 3, then they must flag the entry, at time of release, for inclusion on the periodic payment statement.
5. Track 2 and 3 filers must flag entries, at time of release, that will be paid on a periodic payment statement.
6. There may be one or more periodic payment statements for those importers who elect to use periodic payment.
7. From data in ACE, Customs will be able to clearly identify the appropriate bond that may be encumbered for problems related to any part of the import transaction.

Process:

1. The Trade Account makes Estimated Payment 1 on Day 22 of the activity month and Estimated Payment 2 on Day 7 after the activity month. Estimated Payment 1 is for calendar days 1-15 and Estimated Payment 2 is for calendar days 16-30/31. If the estimated payment due date falls on a Saturday, Sunday or Customs holiday it is due the next business day.

The payment must be able to be submitted electronically via ACH credit/debit although processing exceptions may necessitate payment by check. The estimated deposit record must be able to be submitted electronically. The Trade Account financial profile will be used to determine the payment methodology. The Trade

Account will calculate estimated payments based on internal records. However, the Trade Account should also be able to query release data that exists in ACE at the time of the estimate.

The following data elements are required in the Estimated Deposit Record:

1. Estimated Deposit Record
 - (a) Periodic Payment Statement # (assigned by US Customs)
 - (b) Account Number
 - (c) Customs Reporting Location
 - (d) Activity Period (Calendar days 1-15 or Calendar days 16-30/31)
 - (e) Due Date (Day 22 of the activity month for first estimated payment, day 7 after the activity month for second estimated payment)
 - (f) Deposit Amount (amount paid on account)

Importers may not skip estimated payments. A zero estimate deposit record is sent if no estimated payment is required. Violators may be disqualified from using periodic payment or be subject to sanctions (see unresolved issues).

2. By day 10 after the activity month, the Importer Activity Summary Statement (IASS) for the previous month is filed with US Customs (see Assumption #1).
3. On day 11 after the activity month, a final statement is generated from ACE by the Trade Account. The final statement shows entry duties, taxes and fees due for the prior month (IASSs and other entry summaries), estimated payments and refunds. The Trade Account may use this statement to validate against its internal records and for reconciliation to the entry activity.

The Final Periodic Payment Statement will consist of the following:

1. Payment Reconciliation Header
 - (a) Periodic Statement #
 - (b) Account #
 - (c) Customs Reporting Location
 - (d) Activity Month
 - (e) Due Date
2. Entry Detail
 - (a) Entry Number (IASSs and Entry Summaries)
 - (b) Actual Duty
 - (c) Actual Tax
 - (d) Actual User Fees
 - (e) Total Actual Duties, Fees & Taxes
3. Account Summary
 - (a) Estimated Duty
 - (b) Estimated Taxes
 - (c) Estimated Anti-Dumping Duty Amount
 - (d) Estimated Countervailing Duty Amount
 - (e) Interest Amount
 - (f) Cotton Fee
 - (g) Sugar Fee
 - (h) Tea Fee
 - (i) Mail Fee

- (j) Pork Fee
- (k) Beef Fee
- (l) Merchandise Processing Fee
- (m) Manual Surcharge Fee
- (n) Informal Merchandise Processing Fee
- (o) Honey Fee
- (p) Harbor Maintenance Fee
- (q) Pecan Fee
- (r) Potato Fee
- (s) Lime Fee
- (t) Mushroom Fee
- (u) Watermelon Fee
- (v) Sheep Fee
- (w) Total Actual Duties, Fees & Taxes
- 4. Refund Record (may be multiple occurrences if more than one refund)
 - (a) Entry Number
 - (b) Refund Amount
 - (c) Refund Interest Amount
 - (d) Total Refund Plus Interest
- 5. Account Total
 - (a) Total Actual Duties, Fees & Taxes
 - (b) Interest Due if Actual >5% Over Estimate
 - (c) Total Deposits Made (for period)
 - (d) Total Refunds Plus Interest
 - (e) Payment/(Credit) Due

Interest: If the Final Payment due is greater than 5% of the duties, taxes and fees due for the month, interest will be calculated against the underpayment at the IRS quarterly rate for days 1 – 15 following the activity month. Interest on refunds is calculated in accordance with the regulations pertaining to payment of that refund.

Note: Due to the potential complexity of adding refunds to the statement and netting them against outstanding amounts owed to determine payment/refund, this requirement may be implemented in the next phase of development.

- 4. The Trade Account makes final payment on day 15 after the activity month. If the final payment due date falls on a Saturday, Sunday or Customs holiday it is due the next business day. The payment must be able to be submitted electronically via ACH credit/debit although processing exceptions may necessitate payment by check. The final payment record must be able to be submitted electronically. The Trade Account financial profile will be used to determine the payment methodology. The Trade Account will generate the final payment record from ACE. All IASSs and entry summaries in ACE must be listed even if there is no payment provided or if there is a short payment so that Customs can assign payment to IASSs and entry summaries.

The records required to be submitted with the payment are:

- 1. Payment Reconciliation Header
 - (a) Periodic Statement #
 - (b) Account #
 - (c) Customs Reporting Location

- (d) Activity month
- (e) Due Date
- 2. Entry Detail
 - (a) Entry Number (IASSs and Entry Summaries)
 - (b) Actual Duty
 - (c) Actual Tax
 - (d) Actual User Fees
 - (e) Total Actual Duties, Fees & Taxes
- 3. Account Total
 - (a) Total Actual Duties, Fees & Taxes
 - (b) Interest Due if Actual >5% Over Estimate
 - (c) Total Deposits Made (for period)
 - (d) Total Refunds Plus Interest
 - (e) Payment/(Credit) Due
- 5. When the final statement is submitted, US Customs will process the payment according to the Entry/collection classification codes listed on the IASSs and other entry summaries.
- 6. The Trade account should have the option of rolling credit balances forward to the next month or receiving an EFT (ACH Credit) or check from US Customs to reconcile the account.

Unresolved Issues:

- 1. Definition of Account.
- 2. How will the periodic payment process effect bond requirements?
- 3. Determination of whether or not additional data elements may be required by Customs with the estimated payment.
- 4. Warehouse entries involving excise tax and deferred excise tax.
- 5. If, in addition to the continuous bond, one or more than one SEB bond is required at release, then there is the potential need for more than one SEB to be identified on the IASS. This may require listing the SEB at the sub-header or line item level. The requirement for the SEB at release is a Customs policy issue.
- 6. Types of entry that are eligible for periodic payment. Entry types that need to be reviewed by the Entry and Revenue committees include absolute quota, immediate transportation, T.I.B and warehouse.
- 7. Is the data element "Customs Reporting Location" still needed given the change to national accounts?
- 8. Sanctions (penalties, liquidated damages, etc.) for periodic payment violators need to be defined.
- 9. There is an open issue with respect to the requirement for an IRS number - its collection, validation, and management for U.S. entities, and what identifier will be used for foreign entities. Consideration for using an international standard, if available, should be used.
- 10. Privacy and security concerns have not yet been discussed with respect to this proposal by the Revenue sub-committee.
- 11. Customs must identify requirements to measure bond sufficiency.

As stated in **Technical Need of REV-001**, the periodic payment statement design should accommodate the option of netting post entry activity (Payments/Adjustments/Refunds) on a statement even if it is not implemented in Increment 1. See the requirements below:

Automated Commercial Environment—Requirements Recommendation

Date:	September 24, 2001
Number:	REV-001.1
Requestor:	TSN Revenue Committee
Customs Co-Chair:	Robert B. Hamilton
Trade Co-Chair:	James Phillips

Requirement
<p style="text-align: center;">Accommodating Post Entry Activity on a Statement (Payments/Adjustments/Refunds) (NETTING)</p> <p>An electronic capability should be developed in order to provide for accessing, updating and effecting actions related to an importer account involving Customs Revenue/Payments. The Trade must have the ability to see the status of all activity and identify what is to be moved to the periodic statement for payment or refund.</p>

Business Need
<p>ACE should provide a more efficient and effective financial management collection and disbursement transaction application that has the capability to manage both the collection and disbursement processes that require interacting between the Trade and Customs Service. Specifically, receipt or collection transactions should be able to be netted on a statement at the option of the Trade by applying refund or disbursement transactions scheduled to be paid to an Account as an offset to the collection or receipt amounts owed to Customs by that Account.</p>

Technical Need
<p>The trade should be able to identify actions taken related to payment/refund. As an example related to a liquidated damage demand (CF5955A), the Trade should be able to identify that an Option 1 or Petition amount is to be paid and that it will be paid on the statement.</p> <p>Account Based statement processing should include the following activities and corresponding financial netting of the transactions on the Statement:</p> <p><u>Examples (may not be all inclusive):</u></p> <p>Customs Collections (Revenue):</p> <ul style="list-style-type: none"> Formal Entry Collections (Duties, Taxes and Fees) Informal Entry Collections (Duties, Taxes and Fees) Customs Bills (Supplemental Duties, Taxes and Fees)

Liquidated Damages (Notice, Violation Bill and Collection Processing)
Voluntary Payment /Tender
Settlement Payments
Supplement Information Letter (SIL)/Post Entry Amendment (PEA) Payments
Miscellaneous (not included above)

Customs Disbursements/Payments (Refunds):

Drawback Claims
514 Protests
520(d) Refunds
520(c) Refunds, etc.
Reconciliation Entry Refunds
Antidumping/Countervailing Duty Refunds
9801 Refunds (American Goods Returned)
Supplement Information Letter (SIL)/Post Entry Amendment (PEA) Refunds
Miscellaneous (not included above)

When payment is made against a demand, bill, etc. ACE should electronically (meaning immediately) update claim files to reflect the receipt and remaining balance. The Trade should be able to view the status of all payments to US Customs. Sureties should be able to download the payment status related to claims against bonds as part of a daily claim status report.

Benefits

An Account based statement netting process is a more efficient and effective financial management collection and disbursement transaction application. It provides a capability to manage both the collection and disbursement processes that require interacting between the Trade and Customs Service. Managing Post Entry payments on the statement prevents unnecessary Customs and Trade disbursement and receipt transaction processing resulting in a corresponding reduction in costs to both Customs and the Trade.

In addition, the Statement would provide a Revenue account summary that is useful to both Customs and the Trade, and which corresponds with and can be reconciled to the underlying detailed Account based financial activities.

Risks

Related Subcommittees

Entry, Account

Priority: **Critical** ☒ **High** ☐ **Medium** ☐ **Low** ☐

Customs Use Only

Approved ☐

Not Approved ☐

Further Evaluation Required ☐